
August 31, 2016

Mr. Glenn Blackmon
State Energy Office
1011 Plum Street SE
Olympia, WA 98504

SUBJECT: Department of Commerce's Request for Comments on Whether Commerce Should Amend WAC 194-37-070(5) as a Result of the Seventh Power Plan

Mr. Blackmon:

Thank you for the opportunity to comment on the Department of Commerce's (the "Department") proposed rule change to the implementing regulations for Washington's Energy Independence Act. We support the rule changes that refer to the most recently published regional power plan, *i.e.*, the Seventh Power Plan. Regarding other proposed rule changes, we submit the following comments and suggestions:

With regard to revisions introducing elements of Council methodology from the Seventh Power Plan, the proposed changes are unnecessary and potentially result in harmful implications to utility ratepayers. Specifically, the draft rules requiring utilities to include the social cost of carbon when calculating the TRC benefit-cost ratio would make the conservation potential analysis inconsistent with utility resource and reliability planning. Unless supply-side resources are also evaluated by including the societal cost of carbon, the resources cannot be compared on a consistent basis. Additionally, including a societal cost of carbon is not applicable as utility ratepayers do not currently face these costs as part of power supply.

Resource planning requires utility assumptions, cost perspectives, and reliability needs to achieve the most efficient and feasible resource plan. We support the proposed rule change specifying a discount rate consistent with utility evaluation of non-conservation resources opposed to a regional average discount rate. In this manner, resource costs are modeled based on utility finances including appropriate borrowing rates and time value of money, which are specific to each utility and may be above or below regional averages. During proposed rulemaking discussion, it was suggested that a societal discount rate should be used to discount future costs and benefits; however, we disagree with this suggestion and strongly believe it should be based on a utilities own analysis which is consistent with their utility planning practices.

Similarly, we do not support the inclusion of a formula¹ in the rule-making; however, if a formula is included, a statement clarifying that inputs and assumptions used for modeling should have the option to be determined by the utility based on its own specific and actual circumstances, costs and risk profile. While we agree that the TRC test should be used to ensure efficient resource choice, the assumptions

¹ Please refer to the formula on page G-22 of *Appendix G: Conservation Resources and Direct Application Renewables* of the 7th Plan

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and inputs used in the TRC should likewise be defined by each utility taking into account their specific and actual circumstances.

Conservation potential and targets should be calculated based on utility specific avoided costs and financing structure. In order to ensure least-cost and least-risk resource planning, it is important for the utility analysis option to remain a true utility-specific study. Any requirement to include anything other than utility specific assumptions in the analysis should be avoided. We support a regional methodology for conservation planning with utility-specific input assumptions.

Respectfully,



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